

...: Accounting for Success - Brought to you by CarolinaNewswire.com. - Stay on top of the dPage 1 of 4

Exhibit 7

Home | About Us | Ask the Expert | Submit News | Advertise | Free

# CAROLINA NEWSWIRE

Brought to you by CarolinaNewswire.com Stay on top of the day's business & technology news

## EXPERT'S CORNER: Accounting for Success

06-21-2005

### Out of the Cubicle and Into Business: 114 Questions to Answer Before You Make the Move from a Corporation or University Job Into Your Own Business

Interested in reading more from Lea Strickland? Check out her new book. Available in electronic or paperback formats!



By Lea Strickland, CMA CFM CBM  
President - F.O.C.U.S. Resources

#### Guest Columnist Special Feature:

Many new and small businesses do not invest time or money in establishing a comprehensive accounting process. (In this instance, accounting encompasses traditional finance and treasury roles.) For many of these businesses, accounting activity is a necessary evil driven only by the need to collect customer payments, pay taxes, do payroll, and pay bills.

background & archive



Accounting for your business can be so much more if done well. Beginning with the setup of the accounts to be used, all the way to developing insightful reporting which enables you to understand the aspects of your business which are working and the ones which need to be changed or eliminated.

Accounting for your business is a requirement, but it should also be viewed as a tool in your strategic business: enables you to make sound decisions, evaluate actions taken, and facilitate continued business growth.

There are ten key areas of your accounting process that, if done well, can provide fuel for organizational growth: accounts stratification · Product/business line reporting · Customer profitability · Accounts Receivable Management Reporting (Aging of accounts) · Accounts Payable Management and Reporting (Aging of accounts) · Sources · Cash · Inventory Reporting · Project/Job Costing Profitability · Lease/buy analysis · Credit policy management detail an organization captures and can see at a summary level determines the degree of flexibility in analyzing querying results. For instance, travel expenses could be captured in a single account: travel. This account could include airfare, car rental, mileage reimbursements, meals, lodging, and incidental expenses incurred. If you need to go into the detail, it will require quite a bit of effort to extract how much was spent on each element of travel. The transaction descriptions and detail needed to stratify the expenses may or may not be in the accounting system.

If, however, the chart of accounts was established with a Travel category (main account) and sub accounts (airfare, lodging, etc.), then the organization has the option of printing a summary report (Travel) or a detailed report (airfare, lodging, etc.). Although there is some difference in the effort required to enter transactions at the detail level or

### A Simple Choice

Year after year, Alphanumeric Systems has been ranked #1 on the region's annual listing of top "Networking Companies" and "Best Places to Work."

With more than 300 technical professionals throughout the Southeast and the highest level of partnership with the industry's top vendors, we are unquestionably the region's leading provider of technology solutions for public and commercial clients.

With our partners, we've built strong and successful client relationships based on integrity and the level of technical expertise for a quarter century. Nothing speaks more highly of our client satisfaction. For high quality technical services provided with a customer focus, the choice is simple.

Alphanumeric Systems delivers business agility. For details on our awards, offerings, or philosophy, visit [www.alphanumeric.com](http://www.alphanumeric.com)

<sup>1</sup>The Triangle Business Journal (2003 and preceding years)

**Alphanumeric**  
SYSTEMS, INC.

<http://carolinanewswire.com/News.cgi?database=topstories.db&command=viewone&id=302> 1/6/2006

App: 09/827788 KWAN

pg 66 of 71

BEST AVAILABLE COPY

...: Accounting for Success - Brought to you by CarolinaNewswire.com. - Stay on top of the drage 2014

## Exhibit 7

accounts versus lumping everything into the single travel account at the time of entry, there is a tremendous difference in the effort required to answer analytical and management queries at a later date. It requires far less effort to drill down into already available detailed accounts to understand the spending patterns and issues that it does to create those accounts from one main category before the analysis can begin.

The more visible an organization's activity, the more likely the organization is to see patterns of spending, control costs, and areas that require investment. The ability to capture the financial results of the activities the organization receives funds from is one aspect that is often neglected or overlooked. Accounting isn't simply math. Accountants capture data and dollarization of what is and isn't happening. The absence of a number or a number that is low anticipated can signal just as loudly that something has gone wrong as a number that is too large. You just have to understand how to interpret the financial reports. Financial accounting provides a historical look at your organization.

By analyzing the collection and payment cycles (accounts receivable and accounts payable, respectively) and levels and length of conversion from acquisition to sale, a business understands how long it takes to "make money." The cash conversion cycle indicates how cash will flow into and out of the business, enabling the business to time and manage activities to match cash demands with cash supply.

Interpreting the financial reports, analyzing results, applying that information to the impact on future activity, and results is "finance." For most organizations, accounting activities are the present. Finance activities (strategic planning, budgets, and financial forecasts) with the emphasis on the future are afterthoughts, intellectual exercises, or ignored entirely. To move your organization to the next level of performance, it takes both sound historical information to understand past and current performance and structures (accounting for success) and forecasted changes and projections that quantify the evolving organization (enabling success).

Where does your organization stand on the availability and utilization of accurate, timely accounting information? Do you know how your dollars are spent and the returns they generate? Do you know where your next dollar needs to go to generate the best return? Which customers are the most profitable? What is the impact of adding a new product? What return do you need on the marketing dollars you invest?

All these questions can be answered from the data your accounting system can provide, if it is designed as a tool to **MANAGE** your operations and not simply record revenues and write checks. If your accounting system serves only for generating your tax return, you are losing out on a competitive advantage - knowing your business from the inside perspective enables you to be more effective in the opportunities you pursue and the manner in which you use resources.

Your accounting system can be designed to generate the necessary financial reporting and tax filings while providing managerial information to run the day-to-day and for the long term. Most shrink-wrapped accounting packages are bookkeeping systems that handle the recordkeeping, financial statements, and tax reporting needs. They do not have templates and structures unique to your organization's needs. They can, however, be redesigned to meet your information needs.

An analysis of your operations and activities, including information critical to managerial decision making, is the point for maximizing your accounting system. Taking your organization to the next level means more than accounting success, it means that you have the necessary data available in a format which enables you to impact future performance.

If you are ready to take your accounting system to the next level, then here are some suggested steps:

1. Ensure that your current accounting activity is consistent and complete
  - a. If you are using cash based accounting, then you will still want to have the ability to capture the cost of what you have made (purchases, contract payments, utilities, etc.), but have-nots yet written the check.
  - b. If you are using accrual-based accounting, you will want to recognize revenue at the time of invoice only when the check comes in or cash is received. Also, if you receive lump sum payments, for instance in maintenance agreements that cover multiple years, you will want to follow appropriate revenue recognition and accounting practices to reflect that it is "unearned" and your organization has an obligation to perform services or that revenue is associated with some time increment, so that revenue is matched with expenses.
2. Ascertain whether your accounting records match tax filings or other governmental financial reporting (e.g., etc.).
3. Have the ability to utilize fully the capability of the software you are using - off the shelf and into service practice with little or no training on its use.

<http://carolinanewswire.com/News.cgi?database=topstories.db&command=viewone&id=302> 1/6/2006

App: 09/827788 KWAN

pg 67 of 71